

## CHURCH TIMES

### Appointments would improve the new Lords

REFORMING the House of Lords was never going to win anyone any political colours. Even the prize of a seat in the Lords might, in the future, be out of reach, if the elective route is taken. The subject is regarded as dull; the opposition to every possible solution is vocal; the criticisms, by and large, are valid. The present system is acknowledged to be bad: unrepresentative, unwieldy, and discredited. Every suggested reform, however, introduces the possibility of something worse.

We join the Bishop of Norwich, then, in commending the members of the joint committee on the draft House of Lords Bill, who have sifted through the many and varied submissions and come up with a solution that has more chance of being workable than many: an 80-per-cent elected and 20-per-cent appointed Second Chamber. That this preference was carried by 13 votes to nine suggests an uneasy compromise. But then, this was the essence of the whole exercise, as the committee attempted to craft a second house that was powerful enough to challenge the Commons, but not powerful enough to prevail — except, perhaps, when it needed to.

The problems with election were thoroughly rehearsed by witnesses to the committee. One of the most pertinent remarks came from the Muslim Council of Britain, which suggested that “the level of scrutiny and debate will be reduced if a single party holds the majority in both houses”. Since the elections will be held at the same time, this seems more than likely, although the 15-year fixed term of office might have an effect.

Given that many of those giving evidence (for which, read opinion) to the committee came from the political class, the dangers of enhancing that class were not made much of. But the committee envisages a professional Second Chamber filled with full-time politicians. Although none could serve more than 15 years, i.e. not a full career, the interchange with the Commons would increase. Yet there is still a desire for an expertise among our legislators beyond mere legislating.

This is why the appointed members have the potential to give the Second Chamber more legitimacy, not less. The added expertise they might bring was challenged as anti-democratic by some, but could not be denied. And in the vanguard are the Church of England bishops. They would make up 12 out of a proposed 90 non-elected members, but their significance outweighs their numbers, since they are an example of appointment outside the party-political system. They are capable of acting as individuals (politically motivated or not), but are also representatives, not just of their own constituency but, thanks to the parochial system, of the whole population.

### Two lost with the *Titanic*

The Church Times.  
April 26th, 1912.

BY THE BISHOP OF STEPNEY

THE loss of the *Titanic* has had a special sadness for the Church in East London. Among the passengers were two, lovely and pleasant in their lives, undivided in their deaths, who were extraordinarily dear to all who knew them. Ernest and Lilian Carter, after fourteen years of hard work in Whitechapel, had started on a modest holiday to which they were looking forward with real interest and pleasure. The news came of the disaster to their ship; but it was believed that they were safe, and a simple service of thanksgiving was held in their church. This report was unfounded...

His patience, his unrivalled consideration, his conscientious devotion to his work, his delicacy of touch, his resolute kindness made

him not only the dearest of friends, but gave him a wide power of usefulness in his parish and rural deanery. St Jude's suffers from the discouragements that attach to a church set in a largely alien population; yet it held its own, and was the centre of a very close and intimate family life. The vicar was invaluable as chapter clerk in the large Deanery of Stepney. His brethren knew and loved him well. He was keen about bits of interesting antiquarianism...

He was very proud of his wife; and so were we. Lilian Carter was the daughter of “Tom” Hughes; and a blessed inheritance of vigour. Sincerity and enthusiasm marked her view of life. She had intellectual gifts of no common order, and she disciplined and improved them... She was a born teacher; and she used her powers very freely and generously... Childless herself, she loved children, especially the smaller ones; and her fresh and brilliant sympathy welcomed all that made teaching vivid and effective.



## Is tax-avoidance wrong?

No: it requires compliance with the law, and is far better than illegal evasion, argues *Simon McKie*

TAX-AVOIDANCE is news, and, it seems, almost universally condemned (Paul Valley, 20 April). Peter Osborne, writing in *The Daily Telegraph*, said: “There are few more worthless specimens of humanity than tax accountants and tax lawyers.” I must be doubly worthless, being both.

Tax-avoidance is not a significant threat to government revenues, and is not immoral, but rather is the sign of a morally healthy tax system. The unthinking heat raised by the current discussion risks doing real economic and moral damage to this country.

First, we need an accurate idea of scale. In contrast to wilder commentators, HMRC, which has no interest in understating the figure, estimates the tax “lost” to the UK through tax-avoidance at £5 billion (Comment, 16 March). This is a large amount of money absolutely, but it is just one per cent of the Government’s annual tax receipts. Even if all attempts at tax-avoidance could be frustrated, it would make little difference to funding Government expenditure.

The complexity of the modern economic system demands a complex tax system. My edition of current tax legislation has 18,591 pages. No single person can be familiar with it all — least of all the MPs who vote it into law.

The result is a system that no rational person would design. For example, real marginal rates of tax (the extra tax paid on each extra £1 of income) are erratic; seeing up and down as income progresses.

Nor is it only the pattern of tax rates that is irrational. In many cases, the amount on which tax is charged bears little relationship to economic reality. The special rules for gains on insurance policies, for example, treat a capital gain as revenue profit, and can result in a person who makes an economic loss being taxed as if he or she had made an income profit, and vice versa.

IN SUCH a complex system, it is inevitable that the Government’s legislation will have unintended consequences. The result is that tax changes are often introduced that are reversed soon afterwards — as happened when the previous Government first reduced, then raised, the rate of corporation tax on the smallest companies’ profits.

However bizarre or unjust the

results, HMRC must collect tax in accordance with the law. It won a recent case, for example, in which a taxpayer paying rent to a trust was deemed to be taxable on it as if he had received it.

There can be no moral principle that forbids one from taking legal steps to avoid taxation where the charge to tax is based on such artificial constructs.

We all accept that the Government must spend money, and raise taxes to do so. There is no consensus, however, on how this should be done. The nearest we have to such a consensus is the complex and imperfect process by which Parliament makes tax law.

Yet a country in which the citizens paid only the tax that they thought was morally correct would be bankrupt. Maintaining public life is possible only if most people recognise that they should pay the tax that the law demands, even if they regard that law as irrational and unfair.

This is not to say that we have no further duty to contribute to the public good. What we do not have is a duty so to structure our transactions as to maximise the slice of our wealth appropriated to be spent at the Government’s discretion. Having fulfilled our duty to obey the law, we must consider our duty to contribute to others’ good in the most effective way possible.

Many are deeply sceptical about the efficacy of Government spending. A wealthy man who chooses to give £1 million to a charity decides to trust the charity to spend that amount of his wealth for the good of others rather than to allow the Government to spend half of it. That does not seem to me an irrational preference.

THE very term “tax-avoidance” contains a conceptual confusion. It is a fundamental principle of our law that no right to tax arises until a state of affairs exists on which Parliament has imposed a charge; so if one arranges one’s affairs so that a tax charge does not arise, one has not avoided tax: one has avoided enter-

ing into transactions that would have resulted in a tax charge.

This is not quibbling. Underlying the condemnation of tax-avoidance is an assumption that the fundamental right to property lies with the all-powerful state.

But surely, one might object, acceptable tax-planning can be distinguished from unacceptable tax-avoidance, and the latter taxed under the law. Many attempts have been made to formulate such a general anti-avoidance rule. All have failed. The last Labour Government concluded, like all previous Governments, that such a rule could not be made without creating such uncertainty in the tax system as to damage our economy.

This Government, however, is about to ignore the experience of many years in order to appease the public clamour, by introducing just such a rule. In this and other ways, the uninformed state of the public debate threatens substantial damage to our economy, undermining, in the longer term, the economic activity on which tax is levied and which pays for public services.

THERE is another danger. No Government department can resist the temptation to extend its power. In recent years, there has been a significant extension of HMRC’s power over the taxpayer. The febrile debate provides an excuse for HMRC to extend its powers further.

For a long time, Britain has had a tax system in which the vast majority of taxpayers make honest returns. Paradoxically, tax-avoidance is the sign of a healthy tax system because it involves working within an accepted system of law and complying with its demands. In many other countries, illegal tax evasion is rife.

Where the tax authorities exercise arbitrary discretionary power, legal tax-avoidance is replaced by widespread tax evasion. The present overheated debate threatens to allow a system to develop in which concealment and lying are an accepted part of civil life. Nothing would more surely corrupt public morality.

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